

FISCAL NOTE

HB 266

February 19, 2007

SUMMARY OF BILL: Requires the Commissioner of Finance and Administration (F&A) to allocate state revenues, generated from 2% of the 7% state sales tax rate levied on all lodging services occurring within a jurisdiction where there is a qualified public use facility (QPUF) with a total cost exceeding \$100.0 million and such QPUF is constructed after the effective date of this act, to such jurisdiction to be earmarked for payment of up to 50% of the debt service incurred for the QPUF. Requires tax revenue be allocated as otherwise provided by law once 50% of the debt has been serviced.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - The fiscal impact of this bill is dependent upon construction (for the QPUF in Davidson County) being contingent upon this legislation. If the QPUF would be built regardless of the outcome of this legislation, then the fiscal impact is considered a decrease to state revenues estimated to be \$14.0 million per year; local government revenues would increase by \$14.0 million per year, with this amount being earmarked for debt incurred to construct the QPUF. If construction of the QPUF is contingent upon passage of this legislation, then the fiscal impact is considered foregone state revenues estimated to be \$14.0 million per year; local government revenues would increase by \$14.0 million per year, with this amount being earmarked for debt incurred to construct the QPUF.

Assumptions:

- One local jurisdiction (Davidson County) would consider building a QPUF costing in excess of \$100.0 million as a result of this legislation.
- According to the Department of Revenue, sales tax collections generated from lodging establishments located in one local jurisdiction (Davidson County) is estimated to be \$49.1 million.
- 2% of the 7% state sales tax rate is equivalent to 28.57%.
- 28.57% of the \$49.1 million (or \$14.0 million) could be earmarked for 50% of the debt service incurred on one QPUF constructed in Davidson County.

- This legislation could create incentive for other local jurisdictions to build such facilities in the future.
- Chattanooga, Knoxville, Memphis, and Sevierville are considered local jurisdictions with the ability to build such facilities.
- Based on FY04-05 collections, 5% growth in sales tax collections, and assuming any of the other four local jurisdictions built such facilities, then Chattanooga could receive approximately \$1.75 million from the state; Knoxville, approximately \$1.45 million; Memphis, approximately \$4.70 million; and Sevierville, approximately \$600,000.
- Estimates have been made in current dollars due to the uncertainty concerning when any QPUF would actually be built.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director